RBIs Credit Policy regarding UCBs

2710. SHRI MURLI DEORA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether RBI declared the new credit policy regarding Urban Cooperative Banks in April, 2001;

(b) whether the Maharashtra State Cooperative Banks and National Federation of Urban Cooperative banks represented against it;

(c) if so, the details of the reservations expressed by them; and

(d) the action taken to redress their grievances?

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH): (a) and (b) Yes, Sir.

(c) and (d) The representations covered several aspects like restoration of facility of sanctioning advances to individual members of urban banks against pledge of shares to the limited extent as before and also permission to accept shares as collaterals securities, restoration of freedom to small banks with deposits below Rs. 25 crores to invest their SLR funds either in State Co-operative Banks/District Central Co-operative Banks or in Government Securities, without any stipulations, permission to scheduled UCBs to maintain constituent SGL account of smaller urban banks as well as their customers, restoration of permission for one urban bank to keep deposits with another urban bank upto a limit determined, etc.

RBI had allowed relaxations in certain cases like providing relaxations for grant of loans and advances to individuals to the extent of Rs. 5 lakhs per borrower against securities held in physical form and Rs. 10 lakh against securities held in demat form, extension of time for investment in Govt. and other approved securities and liquidation of the bank's deposits with other urban co-operative banks on a case to case basis. Other requests were not favourably considered by RBI for various reasons.